FILED
DEC 15 1997
CLERK

No. 97-580

IN THE
Supreme Court of the United States
OCTOBER TERM, 1997

SHAKESPEARE COMPANY,
Petitioner,

v.

SILSTAR CORPORATION OF AMERICA, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Fourth Circuit

REPLY BRIEF FOR PETITIONER

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REPLY BRIEF FOR PETITIONER

1. The response called for by this Court is most telling for what it does not say. Nowhere does Silstar dispute the importance of the questions presented. Nor could it. These issues directly impact the measure of protection secured to producers such as Shakespeare by the federal trademark laws, protection that this Court has recognized is necessary to "foster competition and [maintain] quality by securing to the producer the benefits of good reputation." *Park 'N Fly, Inc.* v. *Dollar Park and Fly, Inc.*, 469 U.S. 189, 198 (1985). In this case, these questions divided two separate panels of the Fourth Circuit and eventually split the entire court 6-6 in determining whether to reconsider the case in banc.

None of that is disputed. Instead, Silstar grounds its opposition to certiorari on the absence of any conflict. This is an ambitious undertaking. Not one but three genuine circuit conflicts are directly implicated by this case. As we explained in the petition, these conflicts are readily apparent on the face of the decisions that comprise them, and each of the conflicts underlying the questions presented has been expressly acknowledged by the circuits and by aca-

demics and practitioners in the field of trademark law. *See* Pet. 15-16, 21-22, 27-28.

2. Silstar neglects to mention, let alone address, the authorities expressly recognizing the longstanding three-way conflict concerning whether and under what circumstances courts may presume a likelihood of confusion from the defendant's conduct. As the Fourth Circuit itself noted in *Osem Food Industries Ltd.* v. *Sherwood Foods, Inc.*, 917 F.2d 161, 164 (4th Cir. 1990), "[w]hether there is a presumption of likelihood of consumer confusion from proof of intentional copying of trade dress is an issue that has divided the circuits." This conflict is also recognized by the leading treatise on trademark law and by the *Restatement of the Law of Unfair Competition*. *See* Pet. 15-16 (citing authorities). Silstar's silence in the face of these authorities completely undermines its claim that there is no conflict in the circuits. The conflict is recognized by both courts and commentators and should be addressed by this Court.

Silstar first attempts to sidestep the conflict by suggesting that it is not implicated because the mark at issue here is functional. Opp. 7-11. The difficulty with this effort is that the Fourth Circuit expressly declined to reach the question whether Shakespeare's mark is functional or descriptive, holding instead that these distinct concepts "have the same legal effect on the issues before us," Pet. App. 8a n.*, and that "[w]hether the essence of Silstar's position * * * is that it was acting in good faith because of its rods' functionality or their descriptiveness need not be resolved." *Id.*[1] Thus, as this case comes to the Court, Silstar's argu-

[1] Consistent with this approach, the Fourth Circuit throughout its opinion referred to the "functional and descriptive aspects" of Shakespeare's mark in tandem. *See, e.g.*, Pet. App. 9a, 10a, 17a. The panel's reluctance to decide this question was perhaps a partial bow to the earlier Fourth Circuit opinion, which held that an incontestable mark may not be challenged on the basis of functionality, *see id.* 58a, although the second panel declined to give the earlier decision full effect when it held that the district court did not err by considering the "functional and descriptive aspects" of

ment that there is no conflict because the mark is functional rests on a premise that the Fourth Circuit rejected as a basis for its decision.

When Silstar does turn to discussing the cases in which the conflicting positions are articulated, its response is mystifying. Thus, for example, while it claims that the Second Circuit's decision in *Mobil Oil Corp.* v. *Pegasus Petroleum Corp.*, 818 F.2d 254 (2d Cir. 1987), "did not apply a presumption of likelihood of confusion based on intentional copying," Opp. 12, it then quotes the Second Circuit's opinion stating that " '[i]ntentional copying gives rise to a presumption of a likelihood of confusion.' " *Id.* (quoting 818 F.2d at 258). Of like effect is Silstar's quotation of *Warner Bros.* v. *American Broadcasting Co.*, 720 F.2d 231, 246-247 (2d Cir. 1983), which states that "evidence of intentional copying raises a presumption that a second comer intended to create a confusing similarity of appearance and succeeded." In describing the Second Circuit's decision in *Perfect Fit Industries, Inc.* v. *Acme Quilting Co.*, 618 F.2d 950 (2d Cir. 1980), moreover, Silstar neglects to mention the court's teaching that "[i]f there was intentional copying the second comer will be presumed to have intended to create a confusing similarity of appearance and will be presumed to have succeeded." *Id.* at 954. It is difficult to understand how Silstar believes these authorities support its view that *no* presumption arises upon evidence of intentional copying in the Second Circuit.

Silstar's discussion of cases from other circuits that follow the Second in applying the presumption upon proof of intentional copying alone fares no better. While Silstar notes, for example, that the defendant in *Bauer Lamp Co.* v. *Shaffer*, 941 F.2d 1165 (11th Cir. 1991), intended to harm the plaintiff, the Eleventh Circuit there held that "[i]ntent to copy *in itself* creates a rebuttable presumption of likelihood of confusion." *Id.* at 1172 (emphasis added).

Shakespeare's mark. *Id.* 7a-11a. Silstar's submission that "the courts are uniform in denying trademark protection to functional marks," Opp. 10, simply ignores the Fourth Circuit's first decision regarding the implications of incontestability.

Silstar also ignores the Ninth Circuit's ruling in *Official Airline Guides, Inc.* v. *Goss*, 6 F.3d 1385, 1394 (9th Cir. 1993), that "[w]hen an alleged infringer knowingly adopts a mark similar to another's, courts will presume an intent to deceive the public." [2]

In each of these cases, and others cited in the petition, it is plain that the courts do not require proof of a defendant's bad faith or intent to deceive before permitting a presumption of likelihood of confusion. On the contrary, these courts presume both an intent to deceive *and* a likelihood of confusion upon proof of intent to copy. Here, of course, Silstar does not contest the district court's finding that it "had knowledge of, and essentially copied, Shakespeare's trademark," Pet. App. 42a, a fact that makes this case an excellent vehicle to address this question. Under the decisions cited above, Shakespeare would have been entitled to a presumption of likelihood of confusion that it did not receive in the Fourth Circuit and, as Silstar does not dispute, would not have received in the First Circuit. Pet. 12-13.

It is not accurate to say, as Silstar does, that in all cases "no presumption arises if the defendant proves that the actions were in good faith." Opp. 11. This sleight-of-hand masks the fact that substantial proof burdens are affected by the use of presumptions. In the circuits applying the presumption upon proof of intent to copy alone, the burden then shifts to the defendant to provide evidence that it did

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[2] Silstar cites the Ninth Circuit's decision in *Academy of Motion Picture Arts & Sciences* v. *Creative House Promotions, Inc.*, 944 F.2d 1446 (9th Cir. 1991), for the proposition that the presumption arises *only* upon proof of intent to deceive. Opp. 14. While that decision certainly recognized that evidence "that one company deliberately adopted another's name to obtain advantage from the other's good will" supports an inference of confusion, *id.* at 1456, it did not foreclose use of a presumption upon evidence of intent to copy—the presumption applied by the Ninth Circuit in *Goss*. In any event, it matters little for purposes of considering the petition whether the Ninth Circuit adopts the view of the Second, Sixth, and Eleventh Circuits, the view of the First and Fourth Circuits, or the view of the Third, Fifth, and Seventh Circuits.

not intend to deceive.[3] In those courts applying the Fourth Circuit's rule, however, it is the plaintiff's burden to demonstrate the defendant's bad faith before receiving the benefit of a presumption of likelihood of confusion. Proving another's bad faith or malicious intent is of course a notoriously difficult exercise, making the allocation of the burden of such proof no insignificant matter. That was the burden placed on Shakespeare below as a result of the Fourth Circuit's rule; Silstar should not be heard now to say that the burden it fought so hard to avoid makes no difference to the case.

Silstar also fails to come to grips with the holdings of the Third, Fifth, and Seventh Circuits—courts that decline to apply a presumption at all, even upon proof of intent to deceive. *See* Pet. 13-15. In *Schwinn Bicycle Co.* v. *Ross Bicycles, Inc.*, 870 F.2d 1176 (7th Cir. 1989)—a case that Silstar remarkably says is a "clear example that Shakespeare is misreading the cases," Opp. 18—the Seventh Circuit held that its earlier decisions "fail[] to expressly adopt a presumption but rather state that deliberate copying is one of the factors to be considered," *id.* at 1183, and specifically emphasized that it was the district court's adoption of a presumption that was in error. *Id.* at 1184 ("the district judge committed error when he *presumed* the likelihood of confusion element from his finding that [the defendant] intentionally copied. * * * [W]e do not believe that the application of a *presumption* is a permissible or appropriate equivalent to weighing one factor more than another") (emphasis in original). Silstar's own quotations from opinions of the Third and Fifth Circuits, Opp. 17-18, establish that they too decline to adopt a presumption where other circuits would. *See* Pet. 13-15. This Court should grant certiorari to resolve this important conflict.

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[3] *Cf. St. Mary's Honor Center* v. *Hicks*, 509 U.S. 502, 506 (1993) ("To establish a 'presumption' is to say that a finding of the predicate fact * * * produces 'a required conclusion in the absence of explanation'" by the opposing party) (quoting 1 D. Louisell & C. Mueller, *Federal Evidence* § 67 at 536 (1977)).

3. Silstar takes a similar ostrich-like tack with respect to the second question, claiming that "[t]here is simply no conflict among the circuits on this issue." Opp. 21. Here again, we are content to let the courts of appeals speak for themselves. The circuits have expressly "acknowledge[d] the split of authority on the question" whether "fair use can * * * serve as a defense to a trademark infringement claim where a likelihood of confusion is established," *Mil-Mar Shoe Co.* v. *Shonac Corp.*, 75 F.3d 1153, 1161 & n.17 (7th Cir. 1996), as has a leading treatise on trademark law. *See* Pet. 21-22. Nor was this conflict lost upon the Fourth Circuit below. The dissent specifically admonished that "[t]he majority's holding would place this circuit in the minority of courts that permit a fair-use defense even if a likelihood of confusion exists." *See* Pet. App. 20a. It has done just that.

As explained in the petition, the Second, Fifth, and Ninth Circuits have each taken the position that the fair use defense is unavailable if a likelihood of confusion exists. *See* Pet. 17-18. Silstar takes issue with our reading of the case law,[4] but once again it has placed itself out on a limb. The courts—not just petitioner—have had little difficulty concluding that the "view of the Second, Fifth and Ninth Circuits [is] that fair use *cannot* be a defense where a likelihood of confusion has been found." *See, e.g.*, *Mil-Mar Shoe Co.* v. *Shonac Corp.*, 906 F. Supp. 476, 483 (E.D. Wisc. 1995) (emphasis added), *rev'd on other grounds*, 75 F.3d 1153 (7th Cir. 1996). And, while Sil-

[4] Silstar claims that *Dallas Cowboys Cheerleaders, Inc.* v. *Pussycat Cinema, Ltd.*, 604 F.2d 200 (2d Cir. 1979), is inapposite because in that case the Second Circuit refused to find that the " 'fair use doctrine is applicable to trademark infringements.' " Opp. 20 (quoting 604 F.2d at 206). But Silstar omits the accompanying footnote explaining the basis for this conclusion: "it would be somewhat anomalous to hold that the confusing use of another's trademark is a 'fair use.' " 604 F.2d at 206 n.9. That is the same rationale embraced by the dissent below, Pet. App. 19a, and by the courts that have refused to find the fair use defense applicable when a likelihood of confusion exists. The Fourth Circuit rejected it. *Id.* 17a.

star claims that the circuit decisions discussed in the petition have "absolutely no relevance whatsoever to the issues in this case" (Opp. 20), district courts have almost unfailingly felt bound by these precedents to hold that the fair use defense is unavailable when a likelihood of confusion exists. *See* Pet. 18-19.[5]

The conflict on the second question is also genuine and in need of resolution by this Court.[6]

4. As explained in the petition, Pet. 27, both the Fourth and Sixth Circuits have recognized the split of authority on the third question presented—whether a mark's

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[5] While these district court decisions of course do not themselves establish a circuit conflict, Opp. 21 n.3, they are yet another manifestation of the genuine circuit conflict that now exists on the second question in light of the Fourth Circuit decision below, and confirm that this issue is frequently recurring in trademark litigation.

[6] Silstar briefly suggests that the second question is "moot" in light of the fact that the district court found that Shakespeare failed to meet its burden to establish a likelihood of confusion. Opp. 6. Neither the Fourth Circuit, Pet. App. 16a-17a, nor even the district court, *id.* 52a-54a, saw it this way. They both reached and decided this question. As the dissent explained, moreover, the district court's likelihood of confusion finding is tainted by its failure to "employ[] the correct legal standard." *Id.* 19a. If this Court were to grant certiorari and reverse on the first question, the proper course would be to remand for a determination whether a likelihood of confusion exists under the correct standard.

Before remanding for such a determination, however, it is important to decide the second question. If—as the Fourth Circuit held—the fair use defense is available when a likelihood of confusion exists, courts are free to side-step the likelihood of confusion inquiry altogether, effectively eliminating the "keystone" or "basic test" of both common law and federal statutory trademark protection. J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 23:1 at 23-6 (4th ed. 1996). Indeed, in the first go round in this case, the district court below did just that. *See* Pet. App. 109a n.7 (because "[t]he fair use defense is applicable even where a plaintiff can establish likelihood of confusion," "the Court need not reach the issue of whether the clear tip on [Silstar's rod] will create a likelihood of confusion").

incontestability establishes that the mark is a strong one for purposes of likelihood of confusion and fair use analysis. *See Lone Star Steakhouse & Saloon, Inc.* v. *Alpha of Virginia, Inc.*, 43 F.3d 922, 934-935 (4th Cir. 1995); *Wynn Oil Co.* v. *American Way Service Corp.*, 943 F.2d 595, 600 (6th Cir. 1991). Legal commentators have also recognized the conflict in the courts of appeals on this question. *See* Pet. 28 (citing authorities). Silstar's efforts to avoid the implication of this conflict—that certiorari is warranted—are unavailing.

Silstar first suggests that we have misread the Second Circuit's position. Opp. 21-22 (quoting *Gruner + Jahr USA Publishing* v. *Meredith Corp.*, 991 F.2d 1072, 1078 (2d Cir. 1993)). Thus, Silstar would align the Second Circuit with the view of the Fourth, Fifth, Seventh, and Ninth Circuits instead of the view of the Sixth and Eleventh Circuits. Even if Silstar were correct, such fine-tuning of the recognized conflict would hardly suggest a basis for denying certiorari. In any event, Silstar incompletely recounts the Second Circuit's position on the matter. As noted in the petition, Pet. 27, the Second Circuit's opinion in *Gruner* teaches that "for purposes of establishing * * * protectability" an incontestable mark "is a strong mark entitled to be protected." 991 F.2d at 1077. Silstar ignores that portion of the Second Circuit's opinion, focusing instead on the fact that—as also noted in the petition, Pet. 27 n.10—the Second Circuit seemed to afford less protection to an incontestable mark in considering the likelihood of confusion. *See* 991 F.2d at 1077-78. This observation establishes at most that the Second Circuit aligns with one view of the effect of incontestability for some purposes ("protectability") and another view when other issues are considered (likelihood of confusion), and further demonstrates the confusion in the courts over the effects of incontestability (*see* Pet. 28), but does nothing to undermine the established differences of opinion on this matter.

Silstar next suggests that petitioner in fact received the benefit that would flow from a finding of incontestability in those circuits that presume the strength of the mark from incontestability. Opp. 22. That certainly would come as a surprise to the Fourth Circuit, which expressly has noted that it does not follow those decisions. *See Lone Star Steakhouse*, 43 F.3d at 934 (distinguishing decisions holding that an incontestable mark is presumed to be strong). Nor is Silstar's suggestion supported by the opinion of the district court below, which expressly declined to find that "Shakespeare's trademark is either suggestive or otherwise particularly strong." Pet. App. 50a. *See also id.* 10a ("the mark carries very little secondary meaning"). The plain fact is that the courts below treated Shakespeare's mark as "not particularly strong" while courts following the rule announced in other circuits would have presumed the mark to be strong because it had become incontestable. A very recent decision from the Fourth Circuit announced after the petition was filed confirms the conflict. *See Petro Stopping Centers, L.P.* v. *James River Petroleum, Inc.*, 1997 WL 732136 at *3 (4th Cir. Nov. 26, 1997) (opinions in *Lone Star* and *Shakespeare* foreclose argument that incontestable marks must be treated as strong marks).[7]

Silstar finally faces the undeniable existence of a conflict on this question in the last paragraph of its opposition. It admits that the Sixth Circuit's decision in *Wynn Oil, supra*, holds that incontestable marks are presumed to be strong when it acknowledges that the opinion "stands for the proposition that the strength of an incontestable mark may not be considered for the purposes of determining likelihood of confusion." Opp. 23. Silstar curiously

[7] Silstar's reliance on the district court's finding "that the weight of Shakespeare's mark was a factor in Shakespeare's favor," Opp. 22 (citing Pet. App. 48a), does not change the fact that this factor would have weighed more heavily in Shakespeare's favor had the mark been afforded the presumption of strength available in other circuits.

attempts to deflate the significance of this concession by noting that the court was bound by law of the case doctrine. *Id.* The earlier case was of course an earlier decision of the Sixth Circuit itself, and the second panel found no "persuasive argument for abandoning this court's earlier position." 943 F.2d at 600. Silstar's suggestion that the conflicting position of the Sixth Circuit was established in an *earlier* decision provides no basis for denying certiorari.

The courts are divided on the effect of incontestability on the strength of a mark in trademark infringement actions, and certiorari is warranted to resolve the confusion on this important question.

* * * *

For the foregoing reasons, and those in the petition, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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